



*Marlette Community Fire Department*

**Sanilac County, Michigan**

76-7510

Annual Financial Report

March 31, 2004

*Lehn L. King*

Certified Public Accountant  
Marlette, Michigan

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Name (Specify) <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		MARLETTE COMMUNITY FIRE DEPARTMENT	County SANILAC
Audit Date MARCH 31, 2004	Opinion Date JULY 8, 2004	Date Accountant Report Submitted to State: JULY 8, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government promulgated by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) LEHN KING, C.P.A.			
Street Address 3078 S. MAIN STREET	City MARLETTE	State MI	ZIP 48453
Accountant Signature <i>John King, C.P.A.</i>			

# **Marlette Community Fire Department**

Sanilac County, Michigan

Annual Financial Report

For The Year Ended March 31, 2004

## **Table of Contents**

	<b><u>Page Number</u></b>
Independent Auditor's Report .....	1
Balance Sheet - Cash Basis .....	2
Statement of Revenues Expenditures And Changes in Fund Balance - Cash Basis - Actual Compared to Budget .....	3
Notes to the Financial Statements .....	4-9

Phone 989-635-3113  
Fax 989-635-5580

Members of the Marlette Community  
Fire Department  
Sanilac County, Michigan

**Independent Auditor's Report**

I have examined the Financial Statements of the Marlette Community Fire Department as of March 31, 2004, as listed in the Table of Contents, and for the year then ended. These financial statements are the responsibility of the Marlette Community Fire Department's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, including those prescribed by the State of Michigan. An audit also includes assessing the accounting principles used and significant statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the Marlette Community Fire Department prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In my opinion, except for the omission of the information mentioned in the preceding paragraphs, the accompanying statements, as listed in the Table of Contents, present fairly the financial condition of the Marlette Community Fire Department March 31, 2004, and for the year then ended.

*Lehn King*

Certified Public Accountant  
July 8, 2004

# Marlette Community Fire Department

Balance Sheet - Cash Basis

March 31, 2004

	Account Groups			Total	
	Operating Fund	General Long-Term Debt	General Fixed Assets	(Memorandum Only)	
				March 31,	
				2004	2003
<b><u>Assets</u></b>					
Cash	\$ 41,624	\$ 0	\$ 0	\$ 41,624	\$ 21,763
Equipment	0	0	1,327,102	1,327,102	1,327,102
Amount to be Provided for					
Retirement of Long Term Debt	0	706,165	0	706,165	754,931
<b><u>Total Assets</u></b>	<b><u>\$ 41,624</u></b>	<b><u>\$ 706,165</u></b>	<b><u>\$ 1,327,102</u></b>	<b><u>\$ 2,074,891</u></b>	<b><u>\$ 2,103,796</u></b>
<b><u>Liabilities &amp; Fund Balance</u></b>					
<b><u>Liabilities</u></b>					
Notes Payable - Independent Bank	\$ 0	\$ 706,165	\$ 0	\$ 706,165	\$ 754,931
<b><u>Total Liabilities</u></b>	<b><u>0</u></b>	<b><u>706,165</u></b>	<b><u>0</u></b>	<b><u>706,165</u></b>	<b><u>754,931</u></b>
<b><u>Fund Balance</u></b>					
Investment in General Fixed Assets	0	0	1,327,102	1,327,102	1,327,102
Undesignated	41,624	0	0	41,624	21,763
<b><u>Total Fund Balance</u></b>	<b><u>41,624</u></b>	<b><u>0</u></b>	<b><u>1,327,102</u></b>	<b><u>1,368,726</u></b>	<b><u>1,348,865</u></b>
<b><u>Total Liabilities &amp; Fund Balance</u></b>	<b><u>\$ 41,624</u></b>	<b><u>\$ 706,165</u></b>	<b><u>\$ 1,327,102</u></b>	<b><u>\$ 2,074,891</u></b>	<b><u>\$ 2,103,796</u></b>

The notes are an integral part of the statements.

# Marlette Community Fire Department

Statement of Revenues, Expenditures, and

Changes in Fund Balance - Cash Basis

Actual Compared to Budget

For The Year Ended March 31, 2004

	2004			2003		
	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
<b>Revenues</b>						
Standby Fees - Municipalities	\$ 161,000	\$ 161,000	\$ 0	\$ 157,000	\$ 155,216	\$ (1,784)
Charges for Services - Jaws of Life & Air	750	2,950	2,200	900	3,450	2,550
Interest Income	0	211	211	0	151	151
Detroit Edison - Downed Wires	0	1,000	1,000	0	2,150	2,150
Grant Proceeds	0	0	0	0	73,260	73,260
Other Revenues	2,365	3,569	1,204	1,925	21,242	19,317
<b>Total Revenues</b>	<b>164,115</b>	<b>168,730</b>	<b>4,615</b>	<b>159,825</b>	<b>255,469</b>	<b>95,644</b>
<b>Expenditures</b>						
Salaries, Wages, & FICA	20,000	17,443	2,557	19,810	18,587	1,223
Operating Supplies	4,000	6,499	(2,499)	2,500	4,880	(2,380)
Training	2,000	845	1,155	2,000	1,666	334
Gasoline & Oil	2,000	1,790	210	2,000	1,031	969
Repairs & Maint: Equipment	2,000	3,662	(1,662)	2,000	2,808	(808)
Building	0	0	0	10,000	11,198	(1,198)
Insurance	14,000	16,647	(2,647)	10,000	13,620	(3,620)
Legal & Professional	1,000	4,360	(3,360)	2,500	2,271	229
Utilities	11,000	10,311	689	0	0	0
Debt Repayment: Principal	59,020	48,766	10,254	51,685	51,685	0
Interest	34,095	34,095	0	41,430	41,324	106
Capital Outlay: Equipment	15,000	4,451	10,549	15,000	91,204	(76,204)
<b>Total Expenditures</b>	<b>164,115</b>	<b>148,869</b>	<b>15,246</b>	<b>158,925</b>	<b>240,274</b>	<b>(81,349)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>0</b>	<b>19,861</b>	<b>19,861</b>	<b>900</b>	<b>15,195</b>	<b>14,295</b>
<b>Fund Balance - April 1, 2003</b>	<b>0</b>	<b>21,763</b>	<b>21,763</b>	<b>0</b>	<b>6,568</b>	<b>6,568</b>
<b>Fund Balance - March 31, 2004</b>	<b>\$ 0</b>	<b>\$ 41,624</b>	<b>\$ 41,624</b>	<b>\$ 900</b>	<b>\$ 21,763</b>	<b>\$ 20,863</b>

The notes are an integral part of the statements.

# Marlette Community Fire Department

Notes To Financial Statements  
For Year Ended March 31, 2004

The accounting methods and procedures adopted by the Fire Department of Marlette Community Fire Department, Sanilac County, Michigan, conform to generally accepted accounting principles as applied to executive entities. The following notes to the financial statements are an integral part of the Fire Departments Comprehensive Annual Financial Report.

## 1. Summary of Significant Accounting Policies

### Financial Reporting Entity

The Marlette District Fire Department is the City of Marlette and Marlette Township, adjoining municipalities, providing fire Protection to the residents of their respective municipalities. This agreement was entered into as of the 18th day of May, 1991. Those agreement was adopted pursuant to authority granted the city & township under P.A. 7 of 1967, known as the urban cooperation act of 1967.

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) in its Statement No. 14, the Marlette Community Fire Department is not considered to be part of any other governmental entity for financial reporting purposes. The criteria established by GASB for determining the various organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public services, fiscal independence, financial accountability, imposition of will and financial benefit or burden. On this basis, the financial statements of other governmental organizations are not included in the financial statements of the Marlette Community Fire Department.

**Component Units** - In accordance with generally accepted accounting principles, there are no component units of Government required to be included in the Financial Reporting Entity either as blended component units or discretely presented component units.

**Basis of Presentation - Fund Accounting** - The accounts of the Fire Department are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The Fire Department has created several types of funds and a number of discrete funds within each fund type. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

The funds are grouped into fund types and generic funds as described below:

**Governmental Fund Types** - These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

**General Fund:** This fund is established to account for resources devoted to financing the general services that the Fire Department performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the Fire Department are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

**Account Groups** - In addition to the broad types of governmental funds, the Marlette Community Fire Department also maintains various account group as described below.

**General Fixed Assets Account Group:** This is not a fund but rather an account group that is used to account for general fixed assets acquired principally for general purposes.

**General Long-Term Debt Account Group:** This account group is established to account for the Marlette Community Fire Department's long-term debt will be financed from general governmental resources.

**Basis of Accounting** - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The Fire Department utilized the cash basis of accounting for all funds.

# Marlette Community Fire Department

Notes To Financial Statements  
For Year Ended March 31, 2004

**Budgetary Data** - The Fire Department follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Fire Department Chief Administrative Officer submits to the Fire Department Board a proposed operating budget for the fiscal year commencing April 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior April 1, the budget is legally enacted.
3. The budget is used by the Fire Department Board as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level.
4. Budget amounts are as originally adopted, or as amended by the Fire Department Board. Individual amendments were not material in relation to the original appropriations which were amended.

**Cash** - The Fire Department does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Fire Department's investments.

**Investments** - Debt securities are valued at cost since it is generally the policy of the Fire Department to hold such investments until they mature.

**Other Assets** - Other assets held are recorded and accounted for at cost.

**Property, Plant, and Equipment** - Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, such as roads, sidewalks, and bridges, are not capitalized. Property, plant, and equipment acquired or constructed for general governmental operations are recorded as expenditures in the fund making the expenditure and capitalized at cost in the General Fixed Assets Account Group.

Property, plant, and equipment is stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

**Fund Equity** - The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distribution. Reserved retained earnings for proprietary funds represent the net assets that have been legally identified for specific purposes.

**Revenues and Expenditures/Expenses** - Generally, Revenues for governmental funds, tax revenues, fees, and nontax revenues are recognized when received. Grants from other governments are recorded when qualifying expenditures are paid. Expenditures for governmental funds are recorded when paid.

**Vacation, Sick Leave, and Other Compensated Absences** - The Fire Department does not have any contracts or agreements with its employees or elected officials which require the payment of compensation during absence from duty nor do any such benefits vest to the right of the employee or elected official.



# Marlette Community Fire Department

Notes To Financial Statements  
For Year Ended March 31, 2004

**Total Columns** - The Combined Financial Statements include total columns that are described as memoranda only. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Interfund transactions have not been eliminated from the total column of each financial statement.

## 2. Stewardship, Compliance, and Accountability

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

## 3. Cash and Investments

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the Local Unit's cash deposits are as follows:

	Carrying Amount	Bank Balances
Insured (FDIC)	\$ 41,624	\$ 41,624
Uninsured and Uncollateralized	0	0
Total Deposits	\$ 41,624	\$ 41,624

All cash deposits and investments of the Fire Department are held by the Fire Department in the Fire Department's name.

The GASB Statement 3 risk disclosures for the Local Unit's investments are as follows:

Investment Type	(1)	(2)	(3)	Carrying Amount	Market Value
Risk Categorized		NONE			
Operating Funds					
US Treasury Bonds					
Total Risk-Categorized Investments					

The cash and investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1 Insured or registered, or securities held by the Fire Department or its agent in the Fire Department's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Fire Department's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Fire Department's name.

# Marlette Community Fire Department

Notes To Financial Statements  
For Year Ended March 31, 2004

## 4. Property, Plant, and Equipment

Activity for general fixed assets that are capitalized by the Fire Department is summarized below.

<u>Assets</u>	<u>Balance April 1, 2003</u>	<u>Addition</u>	<u>Deduction</u>	<u>Balance March 31, 2004</u>
Jaws of Life	\$ 3,295	\$ 0	\$ 0	\$ 3,295
International Chasis	40,500	0	0	40,500
Darley Pumper	114,418	0	0	114,418
Computer	4,686	0	0	4,686
Fire Equipment	133,338	0	0	133,338
1987 Tanker	36,205	0	0	36,205
Air Compressor	13,000	0	0	13,000
1996 IH Ambulance	55,000	0	0	55,000
JD Lawn Tractor	2,550	0	0	2,550
Ladder Fire Tractor	162,143	0	0	162,143
Fire Hall	761,967	0	0	761,967
<b>Total</b>	<b>\$ 1,327,102</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,327,102</b>

## 5. Deficit Fund Balance or Retained Earnings Balances of Individual Funds

None

## 6. Comparative Data

Comparative total data for the prior year has been presented.

## 7. Excess of Expenditures over Appropriations in Budgetary Funds

P.A. 621 of 1968, section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Fire Department actual expenditures and budgeted expenditures for the budgetary funds have been shown on a activity basis. The approved budgets of the Fire Department for these budgetary funds were adopted at the activity level.

During the year ended March 31, 2004, the Fire Department incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
Operating Supplies	\$ 4,000	\$ 6,499	\$ 2,499
Repairs and Maint - Equipment	2,000	3,662	1,662
Insurance	14,000	16,647	2,647
Legal & Professional	1,000	4,360	3,360

# Marlette Community Fire Department

Notes To Financial Statements  
For Year Ended March 31, 2004

## 8. Post Employment Benefits

The Fire Department does not provide any post employment benefits.

## 9. Risk Management

The Fire Department is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Fire Department has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

## 10. Long-Term Debt

The general long-term debt of the Fire Department and the changes therein, are summarized as follows:

### General Long-Term Debt Account Group

	<u>Balance April 1, 2003</u>	<u>Additions (Reductions)</u>	<u>Balance March 31, 2004</u>
Firehall mortgage, due in monthly payments of \$5,701.26, including interest at 4.18%	\$ 653,377	\$ (34,617)	\$ 618,760
Note Payable - Ladder Truck - Due in monthly payments of \$1,649.94, including interest at 3.88%	101,554	(14,149)	87,405
Total	<u>\$ 754,931</u>	<u>\$ (48,766)</u>	<u>\$ 706,165</u>

Fire Hall Mortgage Payable dated December 22, 1999, principal and interest payable monthly.

<u>Rate</u>	<u>Annual Maturity</u>	<u>Principal Outstanding March 31, 2004</u>	<u>Annual Interest Payable</u>
4.18 %	03/31/05	\$ 43,376	\$ 25,039
4.18 %	03/31/06	45,224	23,191
4.18 %	03/31/07	47,151	21,264
4.18 %	03/31/08	49,160	19,255
4.18 %	03/31/09	51,255	17,160
4.18 %	03/31/10	53,439	14,976
4.18 %	03/31/11	55,716	12,699
4.18 %	03/31/12	58,090	10,325
4.18 %	03/31/13	60,565	7,850
4.18 %	03/31/14	63,146	5,269
4.18 %	03/31/15	65,836	2,578
4.18 %	03/31/16	25,802	253
Total		<u>\$ 618,760</u>	<u>\$ 159,859</u>

# Marlette Community Fire Department

Notes To Financial Statements  
For Year Ended March 31, 2004

## 10. Long-Term Debt - Continued

Ladder Truck - Note Payable dated December 7, 2001, principal and interest payable monthly.

	<u>Rate</u>	<u>Annual Maturity</u>	<u>Principal Outstanding March 31, 2004</u>	<u>Annual Interest Payable</u>
	3.88 %	03/31/05	\$ 16,703	\$ 3,096
	3.88 %	03/31/06	17,363	2,437
	3.88 %	03/31/07	18,048	1,751
	3.88 %	03/31/08	18,761	1,038
	3.88 %	03/31/09	16,530	301
Total			<u>\$ 87,405</u>	<u>\$ 8,623</u>

LEHN L. KING  
CERTIFIED PUBLIC ACCOUNTANT

3078 S. MAIN STREET  
MARLETTE, MICHIGAN 48453

Phone 989-635-3113  
Fax 989-635-5580

July 8, 2004

Members of the Fire Department Board  
**Marlette Community Fire Department**  
Sanilac County, Michigan

Members of the Township Board:

In accordance with your request, I have made an examination of the financial statements of Marlette Township for the fiscal year ended March 31, 2004. During the course of my examination, no material items came to my attention.

From an overall viewpoint, the Marlette Community Fire Department is in good financial condition. The financial records were maintained in good order.

I thank the Fire Department officials for the cooperation I received in the completion of this examination. Should you have any questions in connection with the above, please contact me at your convenience.

Sincerely,

*Lehn King*

Lehn L. King  
Certified Public Accountant